

Message Text

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ACTION EB-07

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CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2085

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY CAIRO

AMEMBASSY TEHRAN

C O N F I D E N T I A L KUWAIT 0456

DEPT PASS TREASURY FOR ASST SECRETARY PARSKY

E.O. 11652: GDS

TAGS: ENGR KU US

SUBJ: GULF OIL CORP ACTIVITIES IN KUWAIT

SUMMARY: GULF OIL OFFICIALS IN CONVERSATIONS WITH AMBASSADOR AND EMBOFFS HAVE DESCRIBED SEVERAL ACTIVITIES CURRENTLY UNDER WAY WITH KUWAITIS AS NEW COMPANY/GOVERNMENT RELATIONSHIP EVOLVES. FINAL DETAILS OF LONG-TERM CHARTER OF GULF VLCC TO KUWAIT OIL TANKERS COMPANY BEING WORKED ON. COMPANY CONTINUING TO DISCUSS LONG-TERM CRUDE PURCHASES WITH GOK IN AFTERMATH RECENT CHANGES IN GULF-SHELL-GOK CRUDE SUPPLY ARRANGEMENTS. COMPANY OFFICIAL THINKS IMPORTS OF KUWAIT CRUDE TO US COULD INCREASE BUT NOT FOR SEVERAL YEARS. IN OTHER DEVELOPMENTS GULF CONSIDERING APPROACHING GOK RE JOINT VENTURE LUBE PLANT BEING CONTEMPLATED FOR EGYPT. COMMENT: WITHIN GULF OIL CORP. NOT CONFIDENTIAL

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EVERYONE IS CONVINCED COOPERATIVE APPROACH IS BEST, BUT SENIOR

MANAGEMENT APPEARS COMMITTED TO THIS STRATEGY IN DEALING WITH KUWAITIS. END SUMMARY.

1. GULF OIL TRADING CO. PITTSBURGH EXECUTIVE VICE PRESIDENT WILLIAM BLACKLEDGE AND KUWAIT OIL CO. GEN MGR STRAND CALLED ON ME JAN 27. BLACKLEDGE EXPLAINED HE IN KUWAIT TO WRAP UP FINAL DETAILS ON DELIVERY OF GULF'S 350,000 VLCC "ANDALUS" LAUNCHED LAST FALL IN SPAIN AND UNDER LONG-TERM LEASE TO KOTC. BLACKLEDGE SAID TANKER WILL ARRIVE IN KUWAIT DURING FIRST HALF OF MAY AFTER UNDERGOING SEA TESTS.

2. BLACKLEDGE SAID THAT IN UPCOMING MEETINGS IN MID-FEBRUARY WITH GOK GULF REPS WOULD BE DISCUSSING NEW OIL ARRANGEMENTS FOLLOWING SHELL'S SHIFT OF ITS KUWAITI CRUDE PURCHASES FROM GULF TO GOK DIRECTLY (KUWAIT 272). HE SAID GULF OF COURSE LOOKING FOR BEST LONG-TERM DEAL COMPANY CAN GET AND, IF IT OBTAINS REASONABLE ASSURANCES, WOULD BE GLAD TO BUY AS MUCH AS 800-900,000 BPD FROM KUWAIT.

3. IN ANSWER TO QUESTION WHETHER HE THOUGHT THERE WAS POSSIBILITY OF INCREASED US PURCHASE OF KUWAIT CRUDE IN FUTURE, BLACKLEDGE SAID HE COULD NOT EXCLUDE SUBSTANTIAL US PURCHASE OF KUWAITI OIL, BUT NOT FOR SEVERAL YEARS, I.E. AFTER CONSTRUCTION OR EXPANSION OF US REFINERIES DESIGNED PROCESS SOUR CRUDE. (THOSE NOW EXISTING ARE REFINING TEXAS SOUR CRUDE WHICH APPARENTLY IS COMPARABLE IN SULPHUR CONTENT TO MIDEAST CRUDE.) SUCH REFINERIES,

PLUS PROJECTED GIANT SEA ISLAND TO BE BUILT BY US "SEA DOCK" CONSORTIUM IN GULF OF MEXICO OFF TEXAS, COULD ACCOMMODATE THE ONE MILLION BPD OF MIDEAST CRUDE THAT BLACKLEDGE ESTIMATED WOULD BE EXPORTED TO US BY THAT TIME. BLACKLEDGE SAID GULF CORP. INTENDED SHIP ONE OR TWO TANKERS OF KUWAITI CRUDE SOME MONTHS HENCE TO GULF REFINERIES ON TRAIL BASIS. HE THOUGHT SOME COMPANY PUBLICITY OF THESE SHIPMENTS MIGHT BE A GOOD THING.

4. ANOTHER GULF OFFICIAL TOLD EMBOFF COMPANY WAS CONSIDERING JOINT-VENTURE LUBE PLANT IN EGYPT. HE EXPLAINED THAT NEAR TERM FINANCIAL OUTPUT FOR COMPANY INDICATED THAT IT WOULD HAVE LITTLE CAPITAL AVAILABLE FOR INVESTMENT OUTSIDE OF US. THEREFORE, CONFIDENTIAL

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COMPANY SERIOUSLY CONSIDERING APPROACHING GOK TO JOIN THEM IN EGYPT JOINT VENTURE. ASKED FOR HIS OPINION, EMBOFF SAID HE BELIEVED THAT GOK LIKELY TO BE INTERESTED IN PROJECT IN LIGHT ITS COMMITMENT TO MAKE INVESTMENTS IN EGYPT. EMBOFF SAID THAT KUWAIT EAGER TO ASSIST SADAT ECONOMICALLY, AND GULF LE PROJECT WOULD SEEM TO FIT IN WELL WITH KUWAITI POLITICAL AND ECONOMIC OBJECTIVES IN EGYPT. GULF OFFICIAL SAID HE WOULD RECOMMEND THAT APPROPRIATE COMPANY OFFICIAL DISCUSS MATTER WITH ASSISTANT

SECRETARY PARSKY.

5. AS FAR AS WE KNOW GULF STILL TALKING WITH KUWAITIS ABOUT REAL ESTATE AND PETROCHEMICAL PROJECTS, AND IT APPEARS THAT GULF WILL ASSIST KUWAIT CONSTRUCT NEW ASPHALT FACTORY.

6. COMMENT: AS OF NOW GULF OIL COMPANY LEADERSHIP HAS DECIDED BEST LONG-TERM STRATEGY IN KUWAIT IS TO BE AS COOPERATIVE AND FORTHCOMING AS POSSIBLE ON BROAD RANGE OF ACTIVITIES. WE LEARNED, HOWEVER, THAT WITHIN THE COMPANY THERE ARE REAL DIFFERENCES OF OPINION OVER WHETHER THIS APPROACH IS WORTH EFFORT. SCEPTICS WITHIN THE COMPANY DOUBT THAT POSITIVE AND COOPERATIVE A APPROACH FAVORED BY CHAIRMAN DORSEY, PRESIDENT LEE AND OTHERS WILL NECESSARILY BE SUCCESSFUL IN SECURING FAVORED POSITION FOR GULF IN KUWAIT.
STOLTZFUS

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